

The White House Crisis: An Army of Arms Merchants

The Arms Market: Shadowy World

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WASHINGTON, Dec. 3 — Operating in the shadows of the international arms market is an army of globe-trotting private entrepreneurs with contacts in high places and access to warehouses of weapons.

They include legitimate arms dealers with their own stocks, brokers who never take possession of weapons, smugglers trading drugs for arms, and small-time swindlers.

The secret American arms sales to Iran and the diversion of profits to Nicaraguan rebels show how some of the arms merchants function not only as businessmen, but also as free-lance diplomats whose actions are likely to affect foreign policy.

The Iran affair, for example, has shaken long-held policies in the Middle East. Through the secret arms deals with the United States, Iran has found itself doing business with Israel, an archenemy, and financing insurgents against the Government of Nicaragua, which Iran supports. The United States, meanwhile, has been supplying arms to a country that it has accused of fomenting terrorism.

New Role for Arms Dealers

Arms dealers seem not only to be advising governments, but to assume a new role, helping to shape policy.

The Iran affair is said to have been the brainstorm of Adnan Khashoggi, a Saudi Arabian businessman who flies a private jet among his 12 residences around the world, owns a \$30 million art collection, a game ranch in Kenya and a \$70 million yacht.

Mr. Khashoggi worked with two Israeli dealers, Al Schwimmer and Yaacov Nimrodi, on the arms sale to Iran that preceded the release in September 1985 of one of the hostages in Lebanon, the Rev. Benjamin Weir. No other dealers were apparently involved in the Iran sales.

In a statement today, Mr. Khashoggi sought to quell reports that linked his deals with the Saudi Government. He said he had never acted on behalf of the Saudi Government, "directly or indirectly, in any matter relating to the sale or other transfer of arms to Iran, or between the Government of Saudi Arabia and opposition forces in Nicaragua."

Need for Middlemen

American officials say that the sales to Iran were part of a larger pattern by governments using middlemen for covert deals.

"Every Government needs them," said a former official of the Central Intelligence Agency. "Arms merchants are the most effective go-betweens between governments in conflict with one another, especially in the third world."

Most of arms deals, worth \$35 billion to \$40 billion a year, result from contracts between governments, which are virtually the only sources of large arms such as planes, tanks, missiles and naval vessels.

In recent years, manufacturers have captured a larger share of the market, according to Joseph P. Smaldone, chief of the State Department's Arms Licensing Division, although many of their deals are arranged with government help.

The independent dealers fill in the gaps — selling small arms and spare parts to developing countries and to irregular forces, buying for governments too small to have their own expertise, and acting as fronts for governments that do not want to be involved and as unofficial diplomats for countries seeking to use arms to promote foreign policy goals.

"There is never a clear line between intelligence agents, government officials, corporations and independent arms dealers," said Anthony Cordesman, vice president of the defense research arm of Eaton Corporation of Cleveland. "Governments are well aware that independent dealers are making an awful lot of money by offering a flag of convenience."

Some arms dealers believe the United States Government has been turning to the wrong brokers for help, and they consider the Iran arms operation amateurish.

Samuel Cummings, a Philadelphia-born British citizen who got his start buying arms for the C.I.A. before he went into business on his own in 1953, said of the Iran deal:

"In a purely commercial sense, it was sloppily handled. We could have done it without all the commissions and middlemen. Unfortunately, the United States is using a lot of characters who charge too much and have rather baroque histories."

Mr. Cummings should know. As a C.I.A. agent, he bought German World War II weapons for the Chinese Nationalists. Later, after opening his own business, known as Interarms, he supplied arms for the C.I.A.-backed coup in Guatemala in 1954.

Mr. Cummings' sister is married to John G. Tower, the former Senator who heads President Reagan's three-member commission investigating the Iran arms affair and other operations of the National Security Council staff in the White House.

Referring to the relationship with the former Texas Senator, Mr. Cummings said: "I go out of my way not to talk to him. I don't want to cause him any embarrassment."

Another arms dealer who has been used by the Government, according to American officials and Arab diplomats, is Sarkis G. Soghanalian, a Lebanese. He was called in when the United States wanted to send 45 civilian helicopters made by Bell Helicopter Textron of Fort Worth to Iraq in a goodwill gesture during the reopening of relations in late 1984.

Mr. Soghanalian was then still on probation for a 1982 wire fraud conviction in Miami for renegeing on a transfer of machine guns to Mauritania.

He was indicted in September on eight counts of illegal weapon possession. Several of the machine guns were apparently mounted atop a Bell combat helicopter, bound for Nicaraguan rebels, according to sources familiar with the case.

According to his lawyer, Gerald Richman, Mr. Soghanalian's clients include the State Department and the C.I.A., and he was transferring the Bell helicopter to "Latin America" with the encouragement of the United States Government. Other sources said the helicopter was destined for Nicaraguan rebels.

Officials refused to comment on Mr. Soghanalian's relationship with the Government, although one called him "the kind of guy who sets off all the alarm bells."

The Government has also used arms manufacturers as middlemen.

In 1984, when the United States wanted to establish a military relationship with China, Sikorsky Aircraft of Stratford, Conn., was called in to arrange the sale of 24 helicopters outfitted with military engines.

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"We could not come right out after the normalization of relations and sell military equipment and this was a convenient way to advance a policy goal," said one official. "Sikorsky did it with our blessing."

Arms dealers have been helping intelligence agencies and their dummy corporations to supply rebels in Nicaragua, Angola and Afghanistan, according to foreign policy experts.

Congressional investigators have traced profits from the sale of arms to Iran to a Swiss bank account managed by the C.I.A. to fund rebels in Nicaragua and in Afghanistan. The money was used to buy Soviet and other arms, often through dealers in Israel and Western Europe, the investigators said.

Arms dealers add that the intelligence agencies pay good prices for arms and do not argue about commissions.

One independent dealer who has bought Soviet-made rifles for rebels on behalf of the United States is Ernst Glatt, a West German dealer, according to officials.

Some arms dealers believe that Michael Kokin, who heads Sherwood International Export Corporation, with offices in Los Angeles, Miami, London and Washington, has peddled small arms to rebel groups.

Law enforcement officials say they are often called on to prosecute arms dealers who have links with intelligence agencies.

"We have had investigations of people who have at some time worked for the C.I.A., but there has never been a problem in prosecution," said Joseph Vince of the Miami office of the Bureau of Alcohol, Tobacco and Firearms.